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ABSTRACT

The history of governmental support for private higher education is a long one, and current pressures have led to calls for more support at both the state and federal level. Those calls have not been fruitless. Thirty-nine states now have some program of direct or indirect support for private colleges and universities. In many cases, programs seem to have been developed in response to specific needs, and once established with their own power base and natural lobby, continually increased. The ad hoc nature of much state support strongly suggests that it has been built in the absence of an adequately conceived and carefully analyzed policy base. It is important to think systematically about the relationship of state policy and private higher education. Issues involved are policy objectives for all institutions of higher education, whether or not the survival, quality, functions, purposes or outcomes of these institutions of higher education are a matter of state concern; the establishment of consistent outcome indicators; inducements for change; and policy alternatives. (Author/KE)

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THE BASES FOR STATE SUPPORT OF INDEPENDENT HIGHER EDUCATION

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It is well-known and amply documented that there is a crisis in independent higher education. This crisis has its roots in inflation, in the rising cost of private college znd university tuition (and the widening gap between private college and public college tuition), in the leveling-off (and projected decline) in the college age population, and in the apparently declining college-going rates among males.

While the history of governmental support for private higher education is a long one, current pressures have led to increasing calls for support at both the state and federal level. Those calls have not been fruitless. Thirty-nine states now have some program of direct or indirect support for private colleges and universities.

The nature of these programs is varied: student grants and loans, direct institutional aid using several different formulas, contracts for services, and so forth. In many cases, programs seem to have been developed in response to specific needs, and, once established with their own power base and natural lobby, continually increased. The ad hoc nature of much state support strongly suggests that it has been built in the absence of an adequately conceived and carefully analyzed policy base.

In spite of this, such support has grown, and is under continuous support to grow. Pressure for increased support is illustrated by a recent report: A National Policy for Private Higher Education, issued by a task force of the National Council of Independent Colleges and Universities.[1] This report calls for response from both state and federal governments to the financial programs of private colleges and universities. Among a number of its recommendations, the principal one seems to be for tuition offset grants

for all students in private institutions.

Such pleas are generally based on arguments having to do in a very general way with the contribution made by private colleges and universities to the broad public purposes of higher education. In the report just cited, the "case" for private higher education is based principally upon: diversity (including the unique role of the small private college), checks and balances provided to the public sector, excellence, academic freedom, liberal learning and values, and tax relief.

The problem with this argument, and it represents the bases for support typically used by the private sector in its case for state and federal support, is that these characteristics or aspects of the private colleges and universities aren't directly and automatically related to public policy. In the first place, few states have clearly articulated goals and purposes for higher education. Other than the most general policies of state responsibility for the education of its citizens, which responsibility has, over time, come to extend to higher education levels in a near-universal way, the best description of "policy" can be had by looking at the operational results: the extensive budgets most states devote to the support of higher education. Thus, the ambiguity (at least in the sense of carefully constructed and articulated purposes) of state policy in regard to higher education in general is an obvious deterrent to the identification of a policy specifically bearing on private higher education. Secondly, the data base to support a clearly articulated public policy, and to facilitate its evaluation in the performance of institutions--public or private--isn't really adequate. This is not only

the result of failure to keep pace with current available techniques for efficient handling of data for management purposes, but also, to some extent, a reflection of the premium placed upon autonomy and anarchy in higher education settings. "A good deal of what has made great universities really creative has been a function of bad data collection. Much of the best as well as the worst in higher education has functioned in a decent obscurity. Obscurity allows for diverse practices to develop in different fields and areas--for example, in faculty-student ratios, attrition rates, length of time to degree, and the like."2

Thirdly, there is really no effective mechanism for connecting these goals--even if clearly articulated--with the performance data--even if available.

In spite of these obstacles, or, perhaps, because of them, it becomes thoroughly clear that it is important to think systematically about the relationship of state policy and private higher education. This paper attempts to do that, in a preliminary and limited way.

Policy objectives for all institutions of higher education

It is essential that the purposes of private higher education coincide with public or state interest in order to justify public support for private institutions. It is a commonly observed problem in higher education that the purposes and goals of higher education--both public and private--are not clearly articulated. This is true at the state level, in terms of overall governmental or public goals for higher education.

The reasons for this vagueness regarding goals and purposes are fairly evident: conflicting perceptions of the varied constituencies of higher education; shifting societal needs and pressures; emergence of new interrelationships between the university and society, particularly in terms of the development of technology and public beliefs, and shifting claims of power. Commenting recently in Daedalus, Ernest Bartel said: "As anyone who has attempted an honest evaluation of academic programs knows, both the objectives of higher education and the means to attain those objectives are difficult to specify unequivocally and measurably when compared, for example, with the pursuit of profits in industry or even electoral success in the political process. The institutions that nurture the educational process are correspondingly fragile and vulnerable. Indeed, despite the commitment of educational institutions to reason, little attention has historically been spent on rational analysis of models of higher education for specific objectives."[3]

Conceding, then, the elusive and difficult task of establishing, with any widespread agreement, the purposes of higher education, let us nonetheless note that the Carnegie Commission for Higher Education did, in a general way, provide a useful list of such purposes. They are:

- The provision of opportunities for the intellectual, aesthetic, ethical, and skill development of individual students, and the provision of campus environments which can constructively assist students in their more general developmental growth

- The advancement of human capability in society at large

- The enlargement of educational justice for the postsecondary age group

- The transmission and advancement of learning and wisdom

- The critical evaluation of society--through individual thought and persuasion--for the sake of society's self-renewal.[4]

It is reasonable to assume that these purposes are pursued by both public and private institutions of higher education. Though they are general, work is underway and proceeding slowly, on the assessment of both quantitative and qualitative results (outcomes) of institutional activity directed at these goals. Perhaps the best example of such work is the on-going efforts of the National Center for Higher Education Management Systems at WICHE.[5] There are some critical problems in applying this kind of analysis to policy decisions about state support for private colleges and universities, which I will mention in just a moment.

If, however, it can be assumed that private colleges serve public purposes, and the accomplishment of these purposes is amenable to some rational analysis, on what basis can policies regarding the <u>legitimacy</u> and <u>form</u> of such support be made?

I contend that there are at least five major factors upon which these decisions may be based: existence, quality, function, purpose, and performance. These factors can be incorporated into a series of questions, the answers to which can illuminate state policy with respect to private higher education: (1) "Is the existence or survival of these institutions a matter of state concern?", (2) "Is the quality of these institutions a

work is underway and proceeding slowly, on the assessment of both quantitative and qualitative results (outcomes) of institutional activity directed at these goals. Perhaps the best example of such work is the ongoing efforts of the National Center for Higher Education Management Systems at WICHE.[7] There are some critical problems in applying this kind of analysis to policy decisions about state support for private colleges and universities, which I will mention in just a moment.

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I contend that there are at least five major factors upon which these decisions may be based: existence, quality, function, purpose, and performance. These factors can be incorporated into a series of questions, the answers to which can illuminate state policy with respect to private higher education: Is the existence or survival of these institutions a matter of state concern? Is the quality of these institutions a matter of state concern? Are the functions of these institutions a matter of state concern? Are the purposes of these institutions a matter of state concern? Are the outcomes of these institutions a matter of state concern? These are separable, but, obviously, interdependent questions.

Is the existence or survival of these institutions a matter of state concern?

This question, like the others, can be answered in the negative. Unlike the subsequent questions, however, a negative answer to this question is definitive in respect to support; a negative answer means no state aid. There is, however, strong presumptive evidence for a positive answer. First, most states charter private institutions, and thus are known to have an interest in the founding of the institutions at some minimal level of quality. Secondly, most states exempt these institutions from various forms of taxation, an indirect kind of subsidy. Third, in recent years, an increasing number of states have developed a variety of programs in direct and indirect support of the independent colleges and universities.

A different way of looking at the presumptive evidence is to attempt to describe the implications of demise of the private sector. Some information is needed about several principles, as I shall call them. Substitutability principle: to what extent could the functions of the private sector be wholly assumed by the public sector of higher education? The Samson principle: to what extent would the interdependence of the public and private sectors damage the public sector in the event of the demise of the former? Future capacity principle: inasmuch as higher education enrollment has always tended to show variations somewhat independent of the size of the age cohort, to what extent would the demise of the private sector undermine a valued future contingent capacity in the system of postsecondary education?

What are the state interests that might urge a positive answer to the question of survival of the private institutions beyond the presumptive

evidence just mentioned? The state might be interested in any or all of the following aspects of the existence of private institutions: diversity, choice, access, anti-monopoly, economic impact, symbolic value, community benefit. These factors are interrelated. The state may find that it is in its interests to preserve and insure a diversity in the system of higher education both public and private, within its boundaries. Diversity may be found to promote institutional and systematic health as well as facilitating maximum student choice. Choice is the second aspect of potential state interest related to the question of existence of independent institutions. It may be determined that the existence of independent colleges and universities provides kinds of higher education experiences for students to choose which are not provided by the public system alone: kinds of experience defined, for instance, by some of the qualities frequently mentioned in profiling private institutions: smallness, church-relatedness. This factor is related to the growing movement to provide varied alternatives in elementary and secondary schooling. Access, primarily a function of location, but also of cost and admissions selectivity, simply means that the state may find in its interest the support of colleges or universities in certain areas, which broadens opportunities to attend college beyond those provided by public institutions. Far too little attention has been given by public policy-makers in consideration of the fact that many private institutions (though they may represent a small proportion of the total) provide the single source of higher education opportunity for students in their immediate area.

A fourth factor is the state interest in preventing a monopoly--even by the state itself--in higher education. While there is certainly not

conclusive evidence on this, it is probable that the existence of competition among institutions and sectors, whatever its pathological aspects, does enhance choice and encourage quality and service. There is certainly state interest in the economic impact of private colleges and universities: in the sense of tax savings represented by their higher tuition incomes and endowment revenue; and also in the sense of the economic impact on local communities of the payrolls and needs for services generated by the employees and students of private institutions. Another factor is the symbolic value of many private institutions, particularly those of visible excellence or of unusual distinctiveness. Institutions lacking those qualities may nonetheless exhibit intense identification with their local communities, even irrespective of the economic impact already noted.

Is the quality of these institutions a matter of state concern?

If the question of existence is answered positively, does the state have an interest in the quality of the independent institutions? Presumably, the state's support of the survival of private institutions might be at a level of performance or quality below that of public institutions, and below that which the policy-makers would consider minimal. This issue has figured in the decisions of some states (New York, for example) to support private higher education. Support of quality improvements above some stated minimum would, of course, require considerable analysis of the costs and benefits of such support.

Are the functions of these institutions a matter of state concern?

Some states have extended support to independent institutions for specific programs or functions. This issue involves the question of access, as discussed above (for instance, should a specific program be made available to students in an area where no public institution is located to provite it?) as well as the question of whether a specific function or program can be operated more effectively or efficiently at a private institution than a public. Existing facilities for a high-cost program, for instance, might bear upon this question. Examples of this sort of policy include contract payments for medical schools such as Florida's to Miami University, as well as the establishment, in New York State, of Cornell as the Land Grant College, and of the SUNY Forestry College at Syracuse University.

Are the purposes of these institutions a matter of state concern?

Again, this question is related to that of access. Is it a state interest to insure the opportunity for students to choose from among institutions whose purposes may include some not presently provided by public institutions (for instance, experimental colleges, or liberal arts colleges), or purposes not open to provision by the state (for instance, commitment to specific religious or philosophical beliefs)?

There are, perhaps, two questions involved here: whether such unique purposes are directly in the state's interest to preserve and encourage, and, as would more likely be the case, whether it is in the public interest to encourage unique purposes at all. Not all private institutions are unique.

fact, the indicators of system uniqueness are weakening. But individual uniquenesses persist in many institutions, and are productive of valued human talents and characteristics.

Are the outcomes of these institutions a matter of state concern?

Outcomes--the end result of performance--are, of course, directly related to purpose (though, in many institutions, they may or may not be consistent with purpose). While this may be the most obvious question illuminating the existence of state interest in private colleges and universities, it is by no means simple. If stated purposes are seen as in the public interest, but are not accompanied by relevant outcomes, what can we say about the argument for state support? But the determination of outcomes may only seem a less complicated process than the determination of purposes. For this reason, it should be profitable, before turning to the policy alternatives which are suggested by the foregoing discussion, to briefly look at the problem of indicators.

Indicators

The question of indicators pertaining to the above factors, especially to outcomes, is a difficult one. As mentioned, the NCHEMS has been working on the provision of a consistent and consensual set of outcomes and outcome indicators for higher education. A simple illustration of some of the problems involved is a set of outcome measures which was consensually endorsed by all respondent groups surveyed by the study. The fourteen measures

arrived at did not include any of several critical areas of outcomes which had been defined in the questionnaires: information about student understanding, competencies, and attitudes relative to bodies of facts and principles and use of their intellectual and physical abilities; information about changes in students concerning the growth and maintenance of their personal life (e.g., their ability to adapt to new situations, their self-concept, etc.); information about students' abilities and attitudes in dealing with people and their interest in cultural activities. This suggests that it is unlikely that consumer satisfaction, as an outcome, will be employed in evaluating either public or private institutions. Thus, the emphasis will be upon end product output rather than process output. The selection of appropriate measures also illustrates the predictable emphasis upon the quantitative rather than the qualitative.

Both of these problems have been discussed in the literature of social indicators. According to Garn and Springer, "The outputs of goods production are tangible, and easily counted, and can be associated readily with a mix of resources having marked prices even though the welfare outcomes of their use is far from clear. The outputs of service production are not only intangible and tend to be perceived differently by various actors, but are also partially determined by the client or consumer. Additionally, relationships between the characteristics of services and resultant outcomes are particularly tenuous."[9]

There is a side effect to this emphasis upon the quantifyable aspects of the productive outputs of higher education. That is, the effect tends to favor, in terms of policy analysis, the interests of the producer,

rather than the interests of the consumer. As Flax and others point out: ". . . if one examines the bulk of social indicator studies and reports, an apparently paradoxical impression emerges--they appear to be far more useful to the producers of goods and services than to consumers. For example, they shed more light on problems of allocating funds to alternative housing construction programs than providing ways for consumers to assess the benefits provided by different kinds of housing units or neighborhoods. They are more responsive to problems associated with medical manpower than to those associated with the problems of citizens evaluating their own health or the quality of available medical services. How is it that the potential for consumer-oriented indicators has never been realized?"[10]

Inducements

The problem of dysfunctional or counter-productive information illustrated by this brief discussion of indicators, is also related to the problem of inducements for change. If state policy towards private higher education is based upon an analysis of the status quo, programs of support may tend to support that status quo. An example of this would be scholarship programs based upon both need and achievement, which would disproportionally flow to more selective institutions, thus preserving and reinforcing the present relationships among institutions with respect to selectivity. If public interest were served by less selective institutions getting moreso (or, more selective institutions getting less so), this policy would be counter-productive.

It is probable that an analysis of what is will always preserve that status quo, so that analyses should at the same time be made of what ought to be, encouraging support for policies of change.

Policy Alternatives

The foregoing discussion suggests that there are rational strategies for the development of state policy towards higher education and for making decisions about both the legitimacy and form of state support.

Using existing forms of support as a framework, the following briefly outlines available policies:

1. Nothing. A policy of inaction would assume that (1) independent colleges and universities are financially sound, or (2) they are not sound, but their fiscal condition is not a matter of state interest, and (3) maximum institutional diversity and student choice (beyond that provided by public institutions) are not a matter for state interest.

2. Policies which assume maximum institutional diversity and maximum student choice to be a state concern.

   (a) Student aid based upon need.

   (b) Student aid based upon need and ability. (Aid would probably be distributed among students of similar ability equitably, but would probably be inequitably distributed among institutions.)

It should be noted that direct student aid indirectly aids institutions if the assumption is made that enrollment increase or enrollment stability would contribute to fiscal health. Proponents of independent higher education

generally point to lack of enrollment growth as a major source of the economic problems of these institutions.

Related to the above measures in terms of improving the terms on which independent colleges "compete" for students with public institutions would be a decision to raise tuition levels in public colleges and universities. It does seem probable that such an action would restore the present ratio between public and private tuitions to more historic levels (as discussed earlier), and thus reduce the price disadvantage of private institutions. While this policy has received considerable support from some recent "task force" reports, it has also generated a good deal of organized opposition. This controversy underscores that decisions about tuition in the public sector cannot be made solely as a policy of indirect aid to private institutions. It must be argued within the context of a fairly broad set of philosophical assumptions, as well as specific information about the network of public and private institutions in a given state.

3. Policy which is aimed primarily at the economic health of institutions, and which assumes they are in trouble.

(a) Block grants to institutions

(b) Contracts or statutory grants to institutions to subsidize enrollment on a per capita basis

(c) Contracts or statutory grants to institutions based upon degrees awarded

(d) Cost of student overrides based upon number of scholarships or other state aid awarded, or upon a proportion of the difference between

cost-per-student at state institutions and tuition charges at the independent institution.

(e) Provision of services on a statewide level, to institutions upon request. Such services might include advisory, such as management consulting, organizational development, curriculum development, or direct services such as computerized data processing.

This last form of aid might reflect emphasis upon institutional efficiency, while the previous four emphasize effectiveness.

4. Policy which--irrespective of assumptions regarding fiscal health of private colleges and universities--seeks to maximize their location or their special facilities for specific purposes.

(a) Contracts or direct grants to establish special programs based upon total program costs or per capita costs. This approach would be indirect aid to institutions insofar as it led to greater utilization of underutilized facilities, or included supplement for administrative costs or overhead.

5. Policy which would seek to have independent institutions absorb some of the total of projected increases in state higher education enrollment, at a lower per-student cost to the state.

(a) Contracts or grants for enrollment increments on a per capita basis, with the unit subsidy based on a proportion of per-student costs at public institutions.

6. Policy aimed at eliminating duplication of effort among private institutions, or between public and private; or at promoting sharing of

high cost facilities or programs.

(a) Contracts or grants for establishment of interinstitutional cooperative programs.

7. Policy to encourage development of certain kinds of high-cost training or research programs.

(a) Contracts or grants to underwrite such programs perhaps on an institutional proposal basis.

(b) Targeted scholarships with fairly high cost-per-student overrides to institutions.

8. Policies which seek to indirectly aid institutions without direct expenditure of tax revenues.

(a) Tax exemptions, tax credits, and tax rebates.

These do not exhaust the possible means of aiding independent institutions. Further, many represent policy options which are interrelated with other questions, as has been discussed in connection with the question of increasing tuition in public institutions.

The essential question, that of action vs. inaction, must be based, in a given state, upon policy assumptions about the public service performed by higher education, and the facts with respect to the fiscal condition of these institutions (as well, of course, upon the constitutional or statutory constraints on public aid to private institutions). This paper has tried to discuss some of the aspects of those issues.

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